

HB 979 STATE RETIREE PRESCRIPTION DRUG BENEFIT PLAN

3/5/2019

Delegate Neil C. Parrott





THE ISSUE

Maryland State Retirees are being forced into Medicare D plans for their Health care

This will raise prescription drug costs for retiree's significantly

HOW DOES MEDICARE PART D WORK?

Medicare Part D Costs in 2019			
Coverage Phase	Total Drug Costs	Cost-Sharing Percentage	
1. Annual Deductible	\$415	<i>Beneficiary Pays 100%</i>	
2. Initial Coverage	\$3,820	<i>Beneficiary Pays 25%</i>	<i>Plan Pays 75%</i>
3. Secondary Coverage (Donut Hole)	\$5,100	<u>Brand Name Medications:</u> (70% Manufacturer Discount) <i>Beneficiary Pays 25%</i> <i>Plan Pays 5%</i> <u>Generic Medications:</u> <i>Beneficiary Pays 37%</i> <i>Plan Pays 63%</i>	
4. Catastrophic Coverage		**	<i>Plan Pays 15%</i> <i>Medicare Pays 80%</i>

** *Beneficiary pays 5% in coinsurance*



- How Medicare Part D works is:
- The retiree pays 25% of the cost of medications until they have paid a total of \$415 out of pocket.
- At that point they begin paying either coinsurance or a copayment based on the Part D plan in which they are enrolled until BOTH Medicare and the retiree has paid a combined total of \$3,820 (includes the \$415 deductible).
- At that point they falls into the coverage gap (or donut hole) and pay 25% for brand name drugs and 37% coinsurance for generic drugs until they have spent a total of \$5,100.
- At that point they pay a copay of \$3.40 for generic drugs and \$8.50 for brand name drugs (per 30-day supply) until the end of the calendar year.
- Each January he retiree starts over.

- ▶ The Medicare Part D donut hole or coverage gap is the phase of Part D coverage after the end of the initial coverage period. After falling into the donut, the amount one pays for prescriptions increases.



THE DONUT HOLE

MEDICARE PART D VS. CURRENT STATE PLAN

Medicare Part D		Current State Plan	
Annual Deductible	\$415	Annual Deductible	\$0
Coinsurance	25% for brand name drugs; 37% for generics; and 5% when in catastrophic coverage	Copay	\$0 to \$40 depending on drug
Annual Premium	\$408	Annual Premium	\$480
OOP Threshold – TROOP Cost	\$5,100 (single) – Actual amount OOP is about \$2,500 with the rest covered by manufacturers’ discounts. Once the TROOP maximum is reached, the beneficiary pays 5% of any additional prescription drug costs.	Total OOP Maximum	\$1,500 (single)/ \$2,000 (couple)

HOW MUCH IS COVERED?

Retired Maryland State Employees Prescription Drug Coverage Maximum Expenses per year

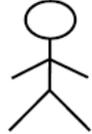
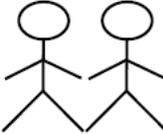
	Promised (Current)	Starting January 1, 2019	Increase in Expense
	\$1,500	\$5,100 + copays	+ \$3,600
	\$2,000	\$10,200 + copays	+ \$8,200

Exhibit 2
Medicare-eligible State Retirees' Projected Out-of-pocket Cost Comparisons
Based on Prescription Drug Cost Scenarios
Calendar 2019

	<u>Annual Rx</u>	<u>Annual Rx</u>	<u>Annual Rx</u>	<u>Annual Rx</u>
	\$1,000	\$5,000	\$10,000	\$20,000
Annual Out-of-pocket Costs*				
State Current Prescription Drug Coverage – No LIS**	\$554	\$850	\$1,219	\$1,958
Medicare Part D Prescription Drug Coverage – No LIS	977	2,030	2,940	3,440
Part D Costs for Retirees Qualifying for Financial Assistance				
Medicare Part D 150% to 300% FPL – SPDAP subsidy	569	1,622	1,532	2,032
Medicare Part D 135% to 150% FPL – Partial LIS	324	1,377	1,346	1,846
Medicare Part D Under 135% FPL – Full LIS	263	1,316	1,221	1,221

FPL: federal poverty level

Rx: prescription drug

LIS: Medicare Low-income Subsidy

SPDAP: Senior Prescription Drug Assistance Program

* Projected annual costs for Medicare use calendar 2019 assumptions, including (1) \$415 deductible; (2) 25% coinsurance on brand name drugs and 37% coinsurance on generic drugs pre-catastrophic coverage; (3) drug cost mix of 89% brand and 11% generic; (4) catastrophic coverage limit of \$5,100; (5) 5% coinsurance for catastrophic coverage drug cost; and (6) calendar 2018 average premium cost (\$408/year). Projected annual costs for the State include (1) \$480/year prescription drug premium based on calendar 2018 Medicare-eligible individual rate; and (2) average out-of-pocket copay costs from fiscal 2017 claims data.

**Calendar 2018 federal poverty level is \$12,140 individual/\$16,460 couple.

Source: Medicare; Department of Legislative Services

Cost increases could vary based on assistance, but whether it is \$400 or \$4,000 the increase is too much for our retirees

ANY COST INCREASE IS TOO MUCH



WHAT'S THE EFFECT?

State retiree Ken Fitch estimates that his costs will grow from, “\$930 in co-payments each year for medications and to \$11,683.10 per year under Medicare Part D”

That's an increase of over \$10,753 in just one year!



**OVER 62 THOUSAND ARE BEING
EFFECTED**

**And the retiree's that are being
effected are often the most
vulnerable to the rising of costs**

**Retiree's Earning less than what
their medications will cost under
Medicare D**

AS A STATE WE MADE A
PROMISE TO COMPENSATE
FOR OUR LOWER PAY WITH
HEALTH BENEFITS

But with the shift to
Medicare D we will
breaking that promise
by making their health
care more expensive

This is also about protecting our benefits that we rightfully earned. As state employees, we spent decades faithfully performing our duties for less pay than the private sector, knowing that the healthcare benefits helped compensate for the lower pay. There is a moral obligation to honor the agreement between the state and its employees. Changing the rules of the game is unethical and unconscionable.

RETIREE'S SHOULDN'T HAVE TO CHOOSE BETWEEN THEIR HOMES AND THEIR MEDICATION

CTIONS  SEARCH

THE BALTIMORE SUN

SDAY FEB. 20, 2019 WEATHER LATEST ENEWSPAPER CLOSINGS 2019 BEST SPORTS MD POLITICS

Those steps have done little to calm some retirees.

“That will be too late,” said Ken Fitch, a retired building manager who lives in Nottingham and is one of the four plaintiffs named in the court filing. “All that is a band-aid.”

Fitch, who started a Facebook page for retirees to express their grievances, takes several medications to treat diabetes, high blood pressure and other illnesses. He said his drug costs are expected to increase thousands of dollars under the new plan. He now pays \$930 in co-payments each year for medications and said that will jump to \$11,683.10 per year under Medicare Part D.

Some retirees have talked about selling their homes to pay for medications under the new plan, he said.

“It becomes a choice between your house and your life,” Fitch said.



Way's to Solve The Issue

It's simple; REPEAL the legislation that took away the coverage in the first place

HB 979 will repeal last years decision to change coverage plans and save retiree's thousands

- ▶ The fiscal note shows a cost of \$89.5 million in FY 2020 and 187.5 million for FY 2021
- ▶ This is only a drop in the bucket of Maryland's budget
- ▶ For FY 2020 that is approximately 0.2% of the budget
- ▶ For FY 2021 that is approximately 0.4% of the budget
- ▶ **We agreed to pay this money in the first place, so we should agree to pay it now**

THE FISCAL NOTE

Keep our promise to our
State Retiree's

&

Let them keep their
coverage



The State promised state employees that they would be taken care of as an incentive for taking lower pay.

Questions?



HB 1004 STATE EMPLOYEE AND RETIREE HEALTH AND WELFARE BENEFITS PROGRAM – PRESCRIPTION DRUG BENEFIT PLAN - REIMBURSEMENT

Delegate Neil Parrott

February 26, 2019

- ▶ This bill would make Governor Hogan's prescription reimbursement plan permanent

WHAT THIS BILL DOES

- ▶ In July 2018, Governor Hogan announced a one-year prescription drug coverage reimbursement plan to help state retirees afford their prescriptions under Medicare Part D
- ▶ Under Hogan's plan, the state would reimburse pharmaceutical expenses over \$1,500 – the limit under the current state plan.

THE GOVERNOR'S PLAN

WHY THIS BILL

- ▶ The State will break their promise to their employees if we don't offer prescription drug coverage insurance.
- ▶ If the legislature is unwilling to repeal the law through HB 979, then they should at the very least take care of those they promised too, by helping pay for their prescription medications.

Questions?

